

Alliance Bank Malaysia

Rights Done; Left with Acceleration

By Clement Chua | clement.chua@kenanga.com.my

We maintain our OUTPERFORM call with a lower GGM-derived PBV TP of RM4.85 (COE: 10.5%, TG: 3.0%, ROE: 10.0%) post 12% share dilution from its recently completed rights issue of which we believe the proceeds would enable the group to ramp up its customer acquisition efforts. We cut our FY26F earnings by 8%, reflecting lower NIMs from the recent 25 bps OPR cut and aligning our credit cost assumptions to 35 bps (from 31 bps), being the upper range of guidance.

Following a recent meeting with ABMB, key takeaways are as follows:

- **Proceeds of rights issue to be deployed gradually.** The group's recently completed rights issue generated cash proceeds of RM600m in capital to fuel its growth strategies. We gather that ABMB is likely deploying across all markets as opposed to accelerating its position in a specific market. Amid macro-economic challenges, we opine the bank may benefit from a larger collateralised portfolio (mortgage) as delinquency risks may emerge from its commercial segment (namely from SMEs, 34% of loan book).

The group presented a FY26 loans growth guidance of 8%-10% which is below the 12% achieved in FY25 where most of its acquisition efforts could remain focused in the central region. Our model assumptions are conservatively kept at c.8% in line with the lower band of guidance.

Per 4QFY25, ABMB's LDR stands at 95% with a LCR of 172%.

- **NIMs compressing in FY26 at a lower extent.** FY25's reported NIMs of 2.45% (-3 bps YoY) could see further deterioration where asset yields could come off should the group's business loans be outpaced by its household loans. Meanwhile, the recent 25 bps OPR cut would reflect a -2 bps impact to ABMB's NIMs, per our sensitivity analysis.

However, thanks to a +1 bps relief by the 100 bps reduction in SRR in addition to the abovementioned rights issue's capital injection, the group may likely ease on its deposits growth strategies, thereby lowering its funding cost. Our FY26F NIM assumption of 2.43% falls within a range guidance of 2.40%-2.45%.

- **Watchful for asset quality bumps.** The group reiterated that <4% of its loans are in tariff-affected sectors, with <1% consisting of direct exports. Still, inflationary concerns posed by higher minimum wages and SST revisions may affect the repayment abilities. We opine that seasonally lower collections in 1QFY26 may also warrant frontloaded provisions for the year. As such, we opted to stretch our credit cost input for FY26 to 35 bps, within the range guidance of 30-35 bps (from FY25 of 32 bps).

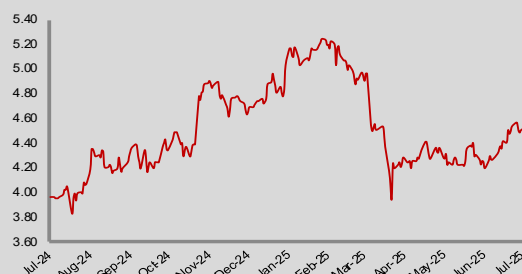
Forecast. While the group's FY25 earnings would have been within our earlier expectations, we opted to cut our FY26F earnings by 8%. Aside from the adjustments in OPR which led to a 2% trimming to earnings, we had also raised our credit cost expectations to 35 bps from 31 bps out of prudence amid higher asset quality concerns from the group's heavier SME comprised loans book.

Meanwhile, we also introduce our FY27F earnings which reflects a 13% earnings growth from credit cost normalisation and better cost management per its long-term strategies.

OUTPERFORM ↔

Price : RM4.52
Target Price : RM4.85 ↓

Share Price Performance



KLCI 1,511.50
YTD KLCI chg -8.0%
YTD stock price chg -11.0%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	ABMB MK Equity
Market Cap (RM m)	7,820.6
Shares Outstanding	1,730.2
52-week range (H)	5.26
52-week range (L)	3.77
3-mth avg. daily vol.	1,197,433
Free Float	64%
Beta	0.92

Major Shareholders

Vertical Theme Sdn Bhd	26.0%
Employees Provident Fund	9.3%
Global Success Network	4.5%

Summary Earnings Table

FY Mar (RM m)	2025A	2026F	2027F
Net interest Income	1,998	2,080	2,171
Non-interest Income	272	256	258
Total Income	2,270	2,336	2,429
Operating Expenses	-1,088	-1,099	-1,110
Loan Impairment	-189	-224	-179
Pre-tax Profit	993	1,012	1,140
Net Profit	751	759	855
Core Net Profit	751	759	855
Consensus NP	-	791	845
Earnings Revision (%)	-	-7.7	NEW
Core EPS (RM)	0.43	0.44	0.49
EPS Growth (%)	8.7	1.1	12.6
NDPS (RM)	0.17	0.18	0.20
BV/share (RM)	4.43	4.69	5.04
NTA/share (RM)	4.13	4.39	4.74
ROE (%)	10.1	9.6	10.1
PER (x)	10.4	10.3	9.1
P/BV (x)	1.02	0.96	0.89
Net Div. Yield (%)	3.8	4.0	4.4

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Maintain OUTPERFORM with a lower TP to RM4.85 (from RM5.30). Our TP is based on an unchanged GGM-derived PBV of 0.93x (COE: 10.5%, TG: 3.0%, ROE: 10%) but against a lower CY26 BVPS of RM4.90 (from RM5.43). The lower BVPS is mainly led by the c.12% share dilution from the completed rights issue. Our current assumption for dividend pay-out is conservative at 40%, being similar to FY25. Still, we believe that in the event of strong economic recovery, ABMB may be the strongest proxy due to its heavy exposure to SMEs.

We also attach a 5% premium to our TP based on our 4-star ESG rating appraisal, warranted by the stock's strong green financing pipeline and its sustainable financing policies.

Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) slowdown in capital market activities, (v) unfavourable currency fluctuations, and (vi) changes to OPR.

Income Statement

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Net interest income	1,683	1,750	1,998	2,080	2,171
Non-interest income	237	271	272	256	258
Total income	1,920	2,020	2,270	2,336	2,429
Operating expenses	-881	-974	-1,088	-1,099	-1,110
PPOP	1,038	1,047	1,181	1,236	1,318
Loan impairment	-152	-135	-188	-224	-179
Other impairment	0	-1	-1	0	0
Associates	0	0	0	0	0
Pre-tax profit	887	911	993	1,012	1,140
Tax and zakat	-209	-221	-242	-253	-285
Minority interest	0	0	0	0	0
Net Profit	678	690	751	759	855
Core Net Profit	678	690	751	759	855

Balance Sheet

FY Mar (RM m)	2023A	2024A	2025A	2026F	2027F
Cash	3,571	4,597	4,589	5,359	5,521
Investment securities	12,148	14,253	15,571	15,884	16,366
Financing assets	47,926	54,721	61,419	66,276	69,307
Other assets	2,225	2,913	3,122	3,845	3,883
Intangible assets	440	462	517	517	517
Total Assets	66,311	76,946	85,217	91,880	95,594
Customer deposits	50,849	57,397	65,835	70,563	73,428
Other deposits	1,719	2,055	2,055	2,137	2,224
Borrowings	2,259	3,087	3,026	3,731	3,834
Other liabilities	4,736	7,232	6,633	7,332	7,383
Total liabilities	59,564	69,771	77,549	83,764	86,869
Share capital	1,548	1,548	1,548	1,548	1,548
Retained earnings	4,990	5,549	6,014	6,462	6,971
Regulatory reserves	257	155	117	117	117
Other reserves	-49	-78	-11	-11	89
Shareholders' funds	6,747	7,175	7,668	8,116	8,725
Minority interest	-	-	-	-	-
Total liabilities and equity	66,311	76,946	85,217	91,880	95,594

Financial Data & Ratios

FY Mar	2022A	2023A	2024A	2025F	2026F
Growth					
Net interest income	10.8%	4.0%	14.2%	4.1%	4.4%
Non-interest income	-32.0%	14.3%	0.4%	-5.8%	0.8%
Total income	2.8%	5.2%	12.3%	2.9%	4.0%
Operating expenses	7.1%	10.5%	11.8%	1.0%	1.0%
PPOP	-0.6%	0.8%	12.9%	4.6%	6.6%
Loan impairment	-29.9%	-11.5%	39.3%	19.2%	-20.3%
Pre-tax profit	7.2%	2.8%	9.0%	2.0%	12.6%
Net Profit	18.3%	1.9%	8.7%	1.1%	12.6%
Core Net Profit	18.3%	1.9%	8.7%	1.1%	12.6%
Gross loans	6.2%	14.2%	12.2%	7.9%	4.6%
Customer deposits	5.5%	12.9%	14.7%	7.2%	4.1%

Operating metrics

Est average asset yield	4.14%	4.54%	4.51%	4.30%	4.41%
Est average funding cost	1.99%	2.73%	2.85%	2.49%	2.42%
Est NIM	2.64%	2.48%	2.45%	2.43%	2.43%
Cost-to-Income ratio	45.9%	48.2%	48.0%	47.1%	45.7%
Credit cost (bps)	32.7	26.3	32.4	35.1	26.4
Loan-to-deposit ratio	94%	95%	93%	94%	94%
GIL ratio	2.6%	2.1%	1.8%	1.9%	1.9%
LLC Ratio	103%	101%	107%	105%	105%
LLC Ratio (+ reg reserves)	124%	114%	117%	114%	114%
ROA	1.1%	1.0%	0.9%	0.9%	0.9%
ROE	10.3%	9.9%	10.1%	9.6%	10.1%

Valuations

EPS (RM)	0.39	0.40	0.43	0.44	0.49
PER (x)	11.54	11.33	10.42	10.26	9.11
Div yield (%)	4.4	4.4	3.8	4.0	4.4
BV/share (RM)	3.90	4.15	4.43	4.69	5.04
P/BV (x)	1.16	1.09	1.02	0.96	0.89

Source: Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
AFFIN BANK BHD	UP	2.47	2.30	-6.9%	6,259	N	12/2025	23.4	24.9	16.2%	6.4%	10.6	9.9	0.53	5.0%	10.0	4.0%
ALLIANCE BANK MALAYSIA BHD	OP	4.52	4.85	6.2%	7,820.6	N	03/2026	43.9	49.4	1.1%	12.6%	10.3	9.2	1.0	9.6%	18.0	4.0%
AMMB HOLDINGS BHD	OP	5.07	6.90	36.1%	16,735	N	03/2026	63.8	65.9	5.4%	3.3%	7.9	7.7	0.78	10.0%	31.5	6.2%
BANK ISLAM MALAYSIA BHD	MP	2.26	2.40	6.2%	5,122	Y	12/2025	24.9	28.2	-1.4%	13.6%	9.1	8.0	0.65	7.3%	15.0	6.6%
CIMB GROUP HOLDINGS BHD	OP	6.55	7.90	20.6%	70,433	N	12/2025	75.1	77.9	4.0%	3.7%	8.7	8.4	0.96	11.3%	42.0	6.4%
HONG LEONG BANK BHD	OP	19.00	24.50	28.9%	41,187	N	06/2025	221.2	219.3	8.1%	-0.9%	8.6	8.7	0.98	10.7%	71.0	3.7%
MALAYAN BANKING BHD	OP	9.53	12.00	25.9%	115,133	N	12/2025	85.7	88.5	2.4%	3.4%	11.1	10.8	1.17	10.7%	65.0	6.8%
MBSB BHD	MP	0.690	0.720	4.3%	5,673	Y	12/2025	7.3	7.5	29.5%	1.5%	9.4	9.3	0.48	5.3%	3.5	5.1%
PUBLIC BANK BHD	OP	4.31	5.25	21.8%	83,660	N	12/2025	37.6	38.3	2.1%	1.9%	11.5	11.3	1.41	12.5%	23.0	5.3%
RHB BANK BHD	OP	6.14	7.80	27.0%	26,767	N	12/2025	71.7	74.4	-0.4%	3.7%	8.6	8.3	0.80	9.4%	44.5	7.2%
SECTOR AGGREGATE					378,790					3.7%	3.0%	10.0	9.7	1.04	10.4%		5.6%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
AFFIN BANK BHD	3.0	6.25	9.9	0.47	2.30	UP	
ALLIANCE BANK MALAYSIA BHD	3.0	10.0	10.5	0.93	4.85	OP	+5% ESG Premium
AMMB HOLDINGS BHD	3.0	10.0	9.9	1.02	6.90	OP	
BANK ISLAM MALAYSIA BHD	3.5	8.0	10.2	0.67	2.45	MP	
CIMB GROUP HOLDINGS BHD	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
HONG LEONG BANK BHD	-	-	-	-	24.50	OP	Sum-of-Parts
MALAYAN BANKING BHD	3.5	12.0	9.5	1.41	12.00	OP	
MBSB BHD	3.0	6.0	9.2	0.48	0.720	MP	
PUBLIC BANK BHD	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB BANK BHD	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★	★	☆
	Financial Inclusion	★	★	★	☆	
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	★	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★	★	

☆ denotes half-star
 ★ -10 discount to TP
 ★★ -5 discount to TP
 ★★★ TP unchanged
 ★★★★ +5 premium to TP
 ★★★★★ +10 premium to TP

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM : A particular stock's Expected Total Return is MORE than 10
 MARKET PERFORM : A particular stock's Expected Total Return is WITHIN the range of -5 to 10
 UNDERPERFORM : A particular stock's Expected Total Return is LESS than -5

Sector Recommendations***

OVERWEIGHT : A particular sector's Expected Total Return is MORE than 10
 NEUTRAL : A particular sector's Expected Total Return is WITHIN the range of -5 to 10
 UNDERWEIGHT : A particular sector's Expected Total Return is LESS than -5

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my